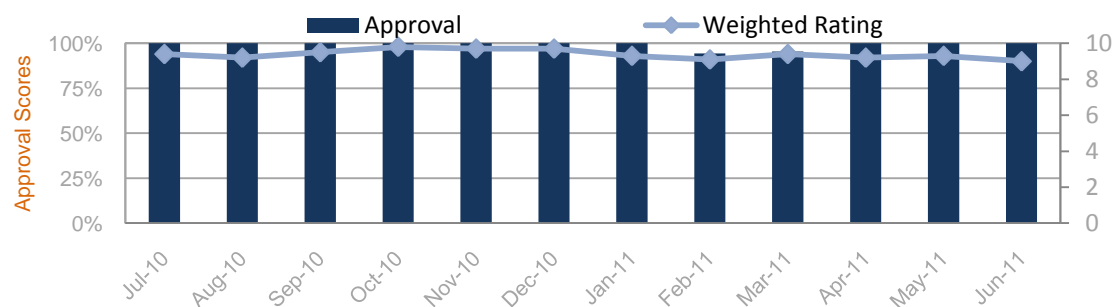


ACI Quality Program

Arizona Correctional Industries, an Arizona Quality Alliance Showcase Winner for Quality Programs, continues to make great strides in maintaining a quality program that meets industry standards while persistently seeking opportunities to improve, expand and aggressively achieve exceptional quality objectives as a correctional industry. ACI's Quality Program tracks several quality factors, such as Customer Satisfaction, Product Inspection, Product Rework, Returned Material Authorizations (RMA's), Daily Open and On-Time Reports and Manufacturing Performance Data. The information collected is instrumental in gauging successes, identifying trends and driving opportunities for continuous process improvements. Exceeding our customer's expectations through quality services and products is an essential part of our success. The 2011 Fiscal Year Customer Satisfaction Results reflect an overall approval rate of 99.53% and an average weighted rating of 9.38 (scale of 1 to 10; 10 being the best):

FY 2011 Customer Satisfaction Trends



Monthly customer surveys resulted in an overall approval rate of 99.53%. The average weighted rating was 9.38 for customer satisfaction on a scale of 1 to 10 (10 being the best).

As a member of the Arizona Quality Alliance (AQA), ACI applied and was approved for participation in a mentorship program with the Intel Corporation that began in January 2010 and concluded in January 2011. The Intel Corporate Quality group's "Skills-based Volunteering" Program comprised of Intel Quality employees were matched with our organization based upon their experience, skill sets, and certifications. These volunteers provided mentoring and assisted with training in quality skills and accomplishment of quality objectives. The Intel/AQA Mentoring Project focused on improving ACI's Requests for Costs of Manufacture (RCOM) by reducing the time required to provide quotes for non-standard products and reduce processing time for Returned Material Authorizations (RMA). Additionally, Intel provided training that helped ACI build upon and add to our Quality Toolbox.

To compliment and add to our education on Quality, six executive team members: Dale Beatty, CFO; Glen Davis, Sr. VP, Operations; William Foster, VP, Central Region; Gregg Hillebrand, VP, Western Region; Alan Wesley, VP, Eastern Region; and Alexandra Benlein, Quality & Training Manager received certification from Purdue University for their Lean Six Sigma Green Belts. Projects have been initiated and we are excited to see the results of applying these principles throughout our organization.